



Chairman Julius Genachowski
Commissioner Mignon Clyburn
Commissioner Michael J. Copps
Commissioner Robert M. McDowell

Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

GN Docket No. 11-65

June 16, 2011

Dear Chairman Genachowski and Commissioners Clyburn, Copps and McDowell:

Thank you for the opportunity to provide reply comments in this proceeding. The broad-based and enthusiastic support for the combination of AT&T and T-Mobile reflected in the first set of public comments strongly underscored the merits of the merger. However it was disappointing, if not entirely surprising, to see so many false and uninformed mischaracterizations entered into the record for competitive or ideological reasons. After studying the facts, filings and analyses previously offered in this proceeding, the Internet Innovation Alliance (IIA) offers these reply comments to identify and unmask many of the myths and misstatements put forward in the first round.

Bottom line: if one's goal is universal broadband – higher speed Internet connectivity to more Americans – the proposed combination of AT&T and T-Mobile presents the single best opportunity to achieve this goal in the foreseeable future.

MYTH 1: The merger would be bad for broadband competition.

REALITY: Combining AT&T and T-Mobile would enhance competition for broadband services. Consumers currently have the choice of receiving broadband services over multiple platforms. 40.6 percent subscribe to broadband over cable, 29.6 percent get broadband over DSL lines provided by telecom companies, 24.6 percent pay for wireless, fixed and mobile broadband, 0.9 percent use satellite, 2.8 percent use FTTP and 1.4 percent other (such as broadband over power lines).¹ Given technological limitations and constraints on spectrum ownership, wireless broadband

¹ High Speed Services for Internet Access: Status as of December 31, 2008. February 2010. Federal Communications Commission. Accessed June 13, 2011. www.fcc.gov/wcb/stats.

services have historically trailed land-based services in throughput, service-offerings and price per megabit.

Yet as more advanced wireless technologies such as LTE reach meaningful speeds, the Justice Department and others find “encouraging signs” that mobile is beginning to compete more effectively. “Emerging fourth generation (4G) services,” the Department wrote, “may well provide an alternative sufficient to lead a significant set of customers to elect a wireless rather than wireline broadband service.”² Combining the assets and capabilities of AT&T and T-Mobile will accelerate the pace with which wireless broadband services challenge land-based services, putting downward pressure on prices and upward incentives for innovations that benefit consumers.

MYTH 2: The merger would disserve rural communities.

REALITY: Combining AT&T and T-Mobile would give 55 million more Americans access to LTE broadband services than the status quo. If this merger is rejected, such advanced services will simply not reach those citizens for several more years. Government cannot fund the added infrastructure needed, competitors will not supply it to these consumers absent this competitive pressure, and consumer advocacy organizations do not tackle real world problems of deployment and access.

Moreover, there are numerous small rural communities ringed by mountains and remote from distant population centers where the challenges of terrain and distance make it uneconomic to deploy the fiber optic lines that carry wired broadband traffic. These remote communities typically lack broadband today. They remain the land of the broadband have-nots. The advent of 4G LTE technology, with speeds rivaling the fastest wired connections, offers, for the first time, an affordable broadband solution for these communities. The merger of AT&T and T-Mobile provides the merged company with the financial incentive to serve these populations, who in the absence of the merger will not receive broadband for many years to come.

Some filings have suggested that rural America does not need LTE... that HSPA or other current-generation solutions are adequate to meet their needs. The IIA believes that rural America deserves access to the same technologies as big cities to the greatest extent possible. This merger will make such access a reality, to the economic, social and technological benefit of those citizens and rural businesses.

² Ex Parte Submission of the Department of Justice: In the Matter of Economic Issues in Broadband Competition. January 4, 2010. Federal Communications Commission. Accessed June 13, 2011. <http://www.justice.gov/atr/public/comments/253393.htm>

MYTH 3: *The merger would be bad for wireless prices and competition.*

REALITY: *Combining AT&T and T-Mobile would continue a decade-long trend of falling wireless prices, expanding services and robust competition.* Over the past decade two trends have held consistent: self-proclaimed consumer advocates have warned that each merger spelled the end of wireless competition, while each subsequent combination has enabled greater investment, faster innovation and more robust mobile services.

For example, when Bell Atlantic merged with GTE and Airtouch, opponents warned the deal would “create an economic Frankenstein, an unregulated monopoly that will do nothing to improve the quality of life...”³ Four years later, we were cautioned, the AT&T Wireless-Bell South combination to form Cingular “spells bad news for consumers, who ultimately can expect higher prices and diminished service.”⁴ When Sprint merged with Nextel, doomsayers declared that it “likely spells an end to the lower prices and innovative services consumers have received from cell phone companies.”⁵ We heard more of the same when Verizon merged with Alltel on June 5, 2008. Each dire warning has been dead wrong.

Throughout this decade of wireless consolidation, consumer prices have been falling and services expanding. According to the 2010 U.S. GAO report, wireless prices declined 50 percent from 1999 to 2009.⁶ From the first quarter of 2005 to the last quarter of 2010, even though the average American sent 703 more text messages, prices fell 84 percent.⁷ Similarly, between the third quarter of 2008 and the fourth quarter of 2010, the effective price per megabyte declined approximately 89 percent.⁸

The fact is that wireless industry consolidation has been and remains healthy for consumers and essential for those who build upon the wireless platform; it has enabled critical investment in infrastructure, innovations in business models and great leaps forward in wireless architecture. While the perennial critics of every prior wireless merger are once again predicting disaster, there is no reason to believe they are more accurate now than they have been previously.

³ Gelles, Jeff. “Proposed Bell Atlantic-GTE Merger Sparks a Debate” [Philly.com](http://articles.philly.com/1999-04-29/news/25520378_1_daniel-j-whelan-bell-atlantic-pennsylvania-merger) 29 April 1999. Accessed 13 June 2011.
http://articles.philly.com/1999-04-29/news/25520378_1_daniel-j-whelan-bell-atlantic-pennsylvania-merger

⁴ Cooper, Mark, CFA. “AT&T Wireless, Cingular Merger Bad News for Consumers *Less competition, higher prices anticipated as merger paves way for more industry consolidation.*” ConsumersUnion.org. October 25, 2004. Web. June 13, 2011.
http://www.consumersunion.org/pub/core_telecom_and_utilities/001462.html

⁵ Briesemeister, Janee. “Sprint-Nextel Merger is Another Blow to Consumers’ Pocketbooks.” ConsumersUnion.org. December 15, 2004. Web. June 13, 2011. http://www.consumersunion.org/pub/core_telecom_and_utilities/001731.html

⁶ 2010 U.S. GAO Report.

⁷ Recon Analytics, Nielson Customer Value Metrics.

⁸ Recon Analytics, Nielson Customer Value Metrics.

Today, 66 percent of Americans can choose among at least five competing national wireless carriers.⁹ In 10 of the biggest cities, consumers have on average five choices for wireless services.¹⁰ Sprint-Nextel boasts to Wall Street of 1,100,000 new customers in the most recent quarter.¹¹ MetroPCS and Leap Wireless added 1,057,000 net retail subscribers in the first quarter of 2011 for cell phones, smart phones, laptop USB adapters and other personal computing devices...^{12 13} more than *combined* net retail additions by AT&T and Verizon for these same types of subscribers in this period (1,026,000).^{14 15} Aggressive new players with cutting-edge technologies such as Light Squared promise to maintain the robust competition in services, quality and infrastructure long after this merger takes effect.

MYTH 4: *The merger would reduce investment in broadband infrastructure and cut jobs.*

REALITY: **Combining AT&T and T-Mobile would increase infrastructure investment by \$8 billion for starters.**¹⁶ The Economic Policy Institute found that each additional billion dollars in new wireless investment creates about 12,000 additional high quality jobs.¹⁷ The Communications Workers of America (CWA) writes that “[t]he merger of AT&T and T-Mobile will create as many as 96,000 new, quality jobs, accelerate broadband build-out, and improve wireless communications and innovation.”¹⁸

Without requesting taxpayer financing, this deal would bring broadband services to more than 97 percent of all Americans. The Information Technology Industry Council (ITI) wrote that it “sees real benefits in the commitments AT&T is prepared to make if the merger is approved. In particular, expanding 4th generation LTE wireless service to 97 percent of the population would spur a new wave of innovative devices, apps, and

⁹ Mobile Momentum. November 04, 2010. Mobile Future. Accessed June 13, 2011. <http://www.mobilefuture.org/page/-/Mobile-Momentum.pdf>.

¹⁰ AT&T. “US wireless market is fiercely competitive and will remain so.” March 21, 2011. Web. Accessed June 13, 2011. <http://www.mobilizeeverything.com/competition.php>.

¹¹ Sprint Nextel. “Sprint Nextel Reports First Quarter 2011 Results.” Sprint Nextel. April 28, 2011 Web. Accessed June 13, 2011. http://newsroom.sprint.com/article_display.cfm?article_id=1879.

¹² MetroPCS. “MetroPCS Reports First Quarter 2011 Results.” MetroPCS. May 03, 2011. Web. Accessed June 13, 2011. <http://investor.metropcs.com/phoenix.zhtml?c=177745&p=irol-newsArticle&ID=1558297&highlight=>

¹³ Leap Wireless. “Leap Wireless Reports First Quarter 2011 Results.” Leap Wireless. May 5, 2011. Web. Accessed June 13, 2011. <http://www.jsicapitaladvisors.com/monitors/2011/5/5/leap-wireless-reports-first-quarter-2011-results.html>

¹⁴ Verizon Wireless. “Investor Quarterly First Quarter 2011.” Verizon Wireless. April 21, 2011. Web Accessed June 13, 2011. http://www22.verizon.com/investor/investor-consump/groups/financial/documents/investorrelation/2011_q1_qb.pdf.

¹⁵ AT&T. “Quarterly Earnings – 1Q 2011.” AT&T, Inc. April 20, 2011. Web. Accessed June 13, 2011. <http://www.att.com/gen/investor-relations?pid=268>.

¹⁶ AT&T. “AT&T to Acquire T-Mobile USA from Deutsche Telekom” AT&T, Inc. March 21, 2011. Web. Accessed June 13, 2011. <http://www.mobilizeeverything.com/home.php>.

¹⁷ Pollack, Ethan. “The Jobs Impact of Telecom Investment.” EPI Policy Memorandum. May 31, 2011, Policy Memorandum 185. Economic Policy Institute. Accessed June 13, 2011. http://w3.epi-data.org/temp2011/EPI_PolicyMemorandum_185%20%282%29.pdf.

¹⁸ Communications Workers of America. CWA: AT&T-T-Mobile Merger Will Create As Many As 96,000 Quality Jobs.” Communications Workers of America. May 31, 2011. Web. Accessed June 13, 2011. http://www.cwa-union.org/news/entry/cwa_attt-mobile_merger_will_create_as_many_as_96000_quality_jobs

services, and provide new opportunities to previously unserved or underserved areas and populations.”¹⁹

MYTH 5: *The merger would undermine innovators and web-based entrepreneurs.*

REALITY: ***Combining AT&T and T-Mobile would meaningfully enhance the advanced wireless infrastructure so essential to next-generation mobile services.***

The biggest single challenge facing wireless entrepreneurs today is lack of spectrum. The exponential explosion of digital content is delivering great things in areas such as health care, power management, education and gaming, with even better innovations to come – provided the bandwidth is there to carry the apps. Increasingly, the bandwidth is not there. While government actions – such as incentive auctions, spectrum reallocations and the white space proceedings – are necessary and meaningful, market-based self-help is more immediate and immediately-responsive to market needs.

The importance of this deal to innovators and entrepreneurs in large measure explains the extraordinary support the merger has received from companies such as Avaya, Brocade, Corning, Facebook, Juniper, Microsoft, Oracle, Qualcomm, RIM and Yahoo. Leading high tech trade associations such as TechNet, ITI and the Silicon Valley Leadership Group endorsed the deal. TechNet wrote in its endorsement:

“Expanding the capability and capacity of broadband spectrum is of critical importance to TechNet’s member companies. Such increased broadband spectrum will allow our members to grow their business in the technologies, services, software and equipment that make apps, social networking, mobile banking and payments, long-distance learning, mobile commerce, energy management and countless other activities possible.”²⁰

Likewise, a diverse array of venture capitalists has endorsed the deal, including Charles River Ventures, Kleiner Perkins, Lightspeed Ventures, Matrix Partners, Norwest Venture Partners and Sequoia Capital. These leading funders of America’s next generation of innovators recognize that entrepreneurs need more wireless infrastructure investment and capacity (as provided by this merger) to dream up and deploy next-generation wireless technologies, companies and services.

¹⁹ Information Technology Industry Council. “ITI Files Comments with FCC on AT&T/T-Mobile Merger.” June 7, 2011. Information Technology Industry. Accessed June 13, 2011. <http://www.itic.org/news/press-releases/iti-files-comments-with-fcc-on-at-t-t-mobile-deal/>.

²⁰ TechNet. “Comments of Technology Network (“TechNet”). [Federal Communications Commission](http://fjallfoss.fcc.gov/ecfs/document/view?id=7021686392), June 8, 2011. Accessed June 13, 2011. <http://fjallfoss.fcc.gov/ecfs/document/view?id=7021686392>.

MYTH 6: *The merger would maintain the persistent “digital divide.”*

REALITY: *Combining AT&T and T-Mobile would accelerate the pace with which smart phones and wireless services are reducing race-and-diversity-based gaps in broadband adoption and usage.* The Pew Internet and American Life Project has

found that the digital divides that persist among land-based broadband platforms are almost non-existent on wireless platforms.²¹ Communities of color are more rapid adopters and avid consumers of digital technologies and mobile services.

Consequently, the most impactful interventions to close the digital divide would be those that increase wireless access and accelerate mobile infrastructure investment. In large measure this explains the enthusiastic support of groups such as the Minority Media and Telecommunications Council (MMTC): “By averting the spectrum crunch and thus enabling the nation to continue to close the digital divide, and by enhancing opportunities for minority participation in broadband as employees and entrepreneurs, the merger deserves approval.”²²

MYTH 7: *The merger would be bad for wireless consumers’ quality of service.*

REALITY: *Combining AT&T and T-Mobile would be the best thing that could happen for wireless consumers’ quality of service.* As previously stated, the biggest wireless challenge is spectrum scarcity. Network congestion limits the applications that can be deployed and quality of service received. As Norwest Venture Partners managing partner Promod Haque stated to the New York Times, “[t]he lack of adequate spectrum is killing the quality of users’ experience.”²³

These challenges will only become more serious as devices such as smart phones and tablets become ubiquitous, applications become more advanced and content increasingly resides in the cloud. In an analysis released June 1, 2011, Cisco Systems predicted that by 2015 there will be more than 15 billion network-connected devices and 3 billion Internet users.²⁴ Global mobile Internet data traffic will increase 26 times to 75 exabytes per year.²⁵

The proposed combination of AT&T and T-Mobile will meaningfully alleviate these and future spectrum crunch challenges. As stated in great engineering detail by AT&T in its initial filing, the sum would be greater than its parts, as a combined AT&T-T-Mobile could re-engineer its network to increase spectrum efficiency, output and quality.

²¹ Washington, Jesse. “For minorities, new ‘digital divide’ seen.” *Pew Internet*. January 10, 2011. Web. Accessed June 13, 2011. <http://www.pewinternet.org/Media-Mentions/2011/For-minorities-new-digital-divide-seen.aspx>.

²² Minority Media and Telecommunications Council. “AMICUS COMMENTS OF THE MINORITY MEDIA AND TELECOMMUNICATIONS COUNCIL IN SUPPORT OF THE AT&T / T-MOBILE MERGER.” *MMTC*. May 30, 2011. Accessed June 15, 2011. <http://mmtconline.org/wp-pdf/MMTC%20ATT-TM%20Amicus%20053011.pdf>.

²³ De La Merced, Michael. “Big Names in Tech Back AT&T’s T-Mobile Bid.” *New York Times*. June 7, 2011. Web. Accessed June 13, 2011. <http://dealbook.nytimes.com/2011/06/06/big-names-in-tech-back-atts-bid-for-t-mobile/>.

²⁴ Gross, Grant. “Cisco Predicts 15 Billion Network Devices in 2015.” *PC World*. June 1, 2011 Web. Accessed June 13, 2011. http://www.pcworld.com/businesscenter/article/229170/cisco_predicts_15_billion_network_devices_in_2015.html

²⁵ Gross, Grant. “Cisco Predicts 15 Billion Network Devices in 2015.” *PC World*. June 1, 2011 Web. Accessed June 13, 2011. http://www.pcworld.com/businesscenter/article/229170/cisco_predicts_15_billion_network_devices_in_2015.html

One must always expect business competitors to seek advantage from regulatory processes, as they do here. A combined and more efficient AT&T-T-Mobile would force them to invest more, charge less and innovate faster. And we could have predicted the same cries of concern about this merger from the consumer groups that have never met a merger that they liked. They have also yet to prove accurate in their doom-saying.

What is unusual and impressive here is the overwhelming breadth and volume of support for this deal from high tech innovators, labor organizations, rural leaders and communities of color. Such enthusiasm is well-founded, and it indicates the importance of the proposed combination to our broadband future. We urge the Commission to see past the myths and embrace this reality.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Boucher".

Rick Boucher
Former Congressman (D-VA) and Honorary Chairman, Internet Innovation Alliance

A handwritten signature in black ink, appearing to read "Bruce Mehlman".

Bruce Mehlman
Co-Chairman, Internet Innovation Alliance

A handwritten signature in black ink, appearing to read "Jamal Simmons".

Jamal Simmons